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SENSITIVE

STATE FOR SCA/CEN, EUR/ACE, EEB
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SUBJECT: TURKMENISTAN SIGNALS INTEREST IN DEVELOPING MANAGEMENT
CAPACITY IN TEXTILE INDUSTRY

11. (SBU) Sensitive but Unclassified. Not for public internet.

12. (U) SUMMARY: In response to a meeting request by the Ministry of Textile Industry of Turkmenistan, USAID's Project Development Officer Andrew Maybrook, USAID Project Specialist Serdar Yagmurov, and Bearing Point Deputy Chief of Party Alex Seleznyov met with Minister Jemal Geoklenova on July 18, 2008. The Minister shared her goal of building the textile industry's managerial capacity and expressed interest in international assistance. END SUMMARY

13. (U) Established in 1995, the Textile Ministry is currently one of the most progressive branches of Turkmen economy. Ms. Geoklenova noted that several factories have semiprivate, joint and/or foreign equity ownership. The EBRD is collaborating with the Ministry as an investor in a "Jeans Complex" and provides technical assistance through training seminars, conferences and visiting technical specialists. The industry has over 30,000 employees in 65 separate companies and 25 industrial complexes which process over 40% of all cotton produced in Turkmenistan. Approximately 95% of finished goods are exported to Europe and the United States and sold through such companies as Wal-Mart, Tommy Hilfiger and Hanes. Ms. Geoklenova claimed that most factories operate with relatively modern equipment and are ISO 9001, 14001 and Six-Sigma certified. She also noted the important social role that the textile industry plays in Turkmenistan: According to their calculations, every \$1 billion invested in the oil & gas sector produces approximately 2,000 jobs, while \$1 billion invested in the textile sector produces approximately 20,000 jobs. Overall, the Ministry estimates average growth of 20% per annum in the industry, largely due to new investments.

14. (SBU) Ms. Geoklenova acknowledged that the textile industry faces limitations to further growth. Factories find it difficult to train a new workforce fast enough to keep pace with growth, and the industry faces a particular need to develop the capacity of middle and upper-level management in such areas as marketing, finance supervisory skills, and strategy implementation. Noting the limitations of stat-owned enterprises, she said "All over the world textile industries are private." She also said there is a need for greater liberalization of production -- citing that private small- and medium-sized enterprises are confined to such areas as silk

farming, transportation services and factory cafeteria services.

15. (SBU) In response to such needs, the Ministry has been sending managers abroad for training, namely to China, Korea and Switzerland. The Ministry plans to improve their technical training center and build an additional management training institute. When asked how other donors could ideally assist, Ms. Geoklenova responded that the Ministry would welcome ways to build worker capacity, particularly middle and upper management through, for example, inviting technical specialists to consult at factories, holding business forums, and providing grants for Turkmen managers to train overseas. (COMMENT: Geoklenova did not mention the need to address institutional factors that affect industry performance beyond management capacity -- such as improve industry transparency, refine strategy and address corruption. END COMMENT.) She dismissed the need to improve strategy, in particular, noting that there is a greater need for managers to properly implement existing strategy, and she claims that morale at the Ministry and at factories has been excellent.

16. (SBU) COMMENT: It is a promising sign that Ms. Geoklenova has been taking the initiative to reach out to the international community. In response, international donors might consider coordinating efforts to encourage further privatization and market liberalization, help the Ministry serve as an example to more conservative elements of the Turkmen Government as well as stress the benefits for conforming to international trade and labor standards. END COMMENT.

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